

MARGARET DONNELLAN TODD  
COUNTY LIBRARIAN

June 5, 2007

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**REQUEST TO APPROVE TAX RATE RESOLUTION FOR FISCAL YEAR 2007-08  
VOTER-APPROVED SPECIAL TAX FOR LIBRARY SERVICES  
(ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Adopt the attached resolution acknowledging the maximum allowable special tax rate for Fiscal Year 2007-08 and setting the amount to be levied for the Fiscal Year 2007-08 tax rate for the County Library's voter-approved special tax.
2. Instruct the County Librarian and Auditor-Controller to take all actions necessary to implement the special tax levy for Fiscal Year 2007-08, as approved by the Board.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The Public Library is requesting Board approval of the recommended actions to allow the Public Library to maintain the augmented service levels in the 44 libraries serving the areas that are subject to the special tax. The total operating cost of the augmented services will increase by approximately \$800,000 in 2007-08 offset by the proposed increased revenue collection of \$484,000.

Your approval of the recommended special tax rate of \$26.75 per parcel for 2007-08 will provide additional revenue of \$484,000 to the Public Library to partially offset the increases in operating cost of the augmented services. In June 2007 your Board did not approve the maximum allowable amount to be levied of \$26.23 per parcel, and instead, continued the prior year's levied rate of \$25.72 for Fiscal Year 2006-07. The Board's approval to levy the maximum allowable rate of \$26.75 per parcel for Fiscal Year 2007-08 is calculated by a 2% increase in the Fiscal Year 2005-06 maximum tax rate and a 2% increase in the Fiscal Year 2006-07 maximum allowable rate, as authorized in the resolution adopted on March 4, 1997.



### Background

The revenue generated by the special tax is used to augment services in 44 libraries serving the areas subject to the special tax. These include 29 libraries located in unincorporated areas, and 15 libraries in the 11 cities of Cudahy, Culver City, Duarte, El Monte, La Cañada Flintridge, Lakewood, Lomita, Lynwood, Maywood, Santa Clarita, and West Hollywood.

The special tax for library services replaced the County's Community Facilities District (CFD) No. 8 assessment for library services. Taken together, the CFD revenue and the Board's commitment of County General Fund contribution provided additional funding for the Department in an effort to backfill the revenue loss sustained by the Public Library when the State reallocated the Public Library's property taxes to schools.

With the implementation of the special tax in 1997, the revenue generated made it possible for the Public Library to increase public service hours in the 44 affected libraries from 1,517 hours per week to 2,027 hours per week and maintain this higher level of service. Therefore, the special tax allows the Public Library to provide a 34% higher level of weekly service hours in those 44 libraries than would be possible without the special tax revenue (see Attachment A). In addition to the hours, the special tax revenue provides a \$2.3 million augmentation in the annual base budget for books and library materials for these libraries.

### Operating Cost Increases

The approved increases in the special tax rate have not kept pace with overall Public Library operating cost increases. As illustrated in Attachment B, the Public Library's actual year-end expenditures have increased by an overall 57.96% from 1997-98 to 2005-06. Since the special tax was implemented in 1997-98, the Board has approved increases in the special tax rate by an overall 16.91% over this same nine-year period.

The total operating cost for services funded by the special tax will increase by approximately \$800,000 from \$12.1 million in 2006-07 to \$12.9 million in 2007-08. Cost increases are attributable to several factors including higher costs due to salary and fringe benefit contract negotiations, manpower shortage bonuses for librarian classifications implemented to address critical recruitment and retention needs, increased costs for retiree health insurance, and the new health care benefit option available to all temporary employees. The Public Library's 2007-08 Non-Proposition 62 Operating Budget is projected to increase by 5.4% or \$6.0 million over the prior year (including Proposition 62 Budget, the increase is 3.6% or \$4.7 million).

The gap between operating costs for the special tax libraries and special tax revenue has been absorbed by other revenue sources such as property tax and County General Fund contribution. While increases in property tax provide the Department with a means to meet general cost increases, it is not appropriate to use this revenue to fund the cost of enhanced



services at the 15 city libraries and 29 unincorporated area libraries that should be financed by the special tax. In addition, it is unfair to other cities not participating in the special tax, many of which are purchasing enhanced library services or making donations with their local city revenues.

#### Inflation Cost Increases

The approved increases in the special tax rate have not kept pace with inflation over the period since the tax was approved by the voters in 1997. Attachment C provides a comparison of the percentage increases in the California Consumer Price Index (CCPI) as determined by the California Division of Labor Statistics and Research, the allowable special tax rate adjustments, and the approved special tax rates. While the legally allowable overall adjustment to the tax rate is 19.23% since the tax was implemented in 1997-98, the Board has only approved an overall increase of 16.91%. The cumulative increase in CCPI is 27.12%.

Approximately \$2.3 million of the special tax revenue is used to augment the annual budget for books and library materials at the 44 special tax libraries. According to the 2006 *Bowker Annual* (a library trade publication), the latest figures available indicate that the average prices for books and other library materials have increased in the range of 2.3% to 6.5% in the previous two years. These increases for the typical materials purchased by the Public Library are higher than the allowable annual adjustments to the special tax rate. Therefore, continuing inflationary price increases for library materials directly translate into reduced purchasing power for the Public Library and exacerbate the issue of limited funding for books and library materials for the special tax libraries.

#### Implementation of Strategic Plan Goals

Approval of this request is consistent with the County's Strategic Plan in the areas of Service Excellence and Fiscal Responsibility.

#### FISCAL IMPACT/FINANCING

The Public Library's 2007-08 Proposed Budget assumes the collection of \$12.5 million in voter-approved special tax revenue and Board approval of the recommended rate of \$26.75 per parcel to be levied for 2007-08. The 2007-08 total operating cost of special tax services is estimated at \$12.9 million. If the recommended rate is approved, the Public Library will be able to collect additional special tax revenue of \$484,000 which will only partially offset the increases in the operating cost of special tax services. Without this increase, it will be necessary to reduce service hours and the allocation for books and library materials at the 44 special tax libraries in order to balance the Public Library's 2007-08 budget.



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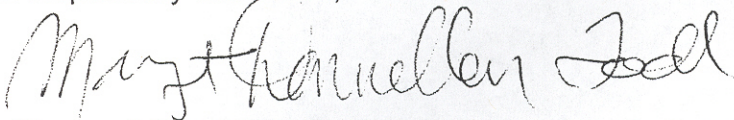
### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Government Code Sections 23027 and 50075 *et seq.* require that the Board approve the attached resolution in conjunction with the levying of taxes. This resolution will acknowledge the mandatory adjustment in the voter-approved special tax rate for inflation based on changes in the CCPI as determined by the California Division of Labor Statistics and Research. This is consistent with the resolution adopted by the Board on March 4, 1997, which provides that the increase in the maximum amount of the special tax each year shall be 2% or the percentage change in the CCPI for the prior fiscal year, whichever is less. However, for any fiscal year the Board may levy the special tax at less than the maximum amount. The CCPI increase for 2007-08 is 2.269%. Therefore, the special tax rate shall increase over the prior year's maximum allowable amount by 2%. A 2% increase in the 2006-07 maximum allowable amount of \$26.23 per parcel results in the new special tax rate of \$26.75 per parcel for 2007-08. This \$26.75 amount per parcel for Fiscal Year 2007-08 is the recommended levy to be approved by your Board in the attached resolution.

### **IMPACT ON CURRENT SERVICES**

Without the increased special tax revenue, the 44 affected libraries will require cuts in services and allocation for books and library materials to balance the Public Library's budget for 2007-08. The cost of providing special tax services has increased more rapidly than the increase in revenue generated by the special tax. Approval of the recommended rate increase will only partially offset the increased operating cost, but will allow the Public Library to maintain services at the highest supportable level.

Respectfully submitted,



Margaret Donnellan Todd  
County Librarian

MDT:DF:MR

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### **Attachments**

c: Chief Administrative Officer  
Auditor-Controller  
Executive Officer, Board of Supervisors